

## Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 5236

C O N F I D E N T I A L SECTION 1 OF 2 ADDIS ABABA 8003

E.O. 11652: GDS

TAGS: ECON ET

SUBJECT: ETHIOPIAN SOCIALISM IN ACTION: THE ECONOMIC AND  
SOCIAL DIMENSIONS

1. THE EMBASSY HAS RECENTLY COMPLETED AN ASSESSMENT OF THE ECONOMIC AND SOCIAL POLICIES OF THE PROVISIONAL MILITARY ADMINISTRATIVE COUNCIL (PMAC), THE SUPREME POLICY MAKING ORGAN OF THE ETHIOPIAN PROVISIONAL MILITARY GOVERNMENT (EPMG). THE DETAILED ASSESSMENT IS CONTAINED IN A-129 BEING POUCHED.

THE FOLLOWING IS A SUMMARY.

2. OVER THE PAST SEVERAL MONTHS SINCE THE DEATH OF GENERAL AMAN (NOVEMBER 1974) THE PMAC HAS ISSUED THREE BASIC POLICY STATEMENTS, THE DECLARATION OF ETHIOPIAN SOCIALISM, THE DECLARATION OF ECONOMIC POLICY, AND THE DECLARATION OF LAND REFORM. THESE POLICY STATEMENTS TOGETHER WITH NUMEROUS OTHER STEPS TAKEN BY THE PMAC PROVIDE A REASONABLE CLEAR PICTURE OF ITS GOALS AND OBJECTIVES, ESPECIALLY IN THE ECONOMIC AND SOCIAL SPHERES, FOR THE NEW ETHIOPIA. THESE POLICIES AND PROGRAMS ARE A MIX OF CONTINUED DISMANTLEMENT OF THE OLD ORDER AND ESTABLISHMENT OF THE BASIC FRAMEWORK WITHIN WHICH THE NEW ORDER IS TO BE BUILT.

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### 3. SOCIALISM AND THE EPMG

THE PMAC HAS IDENTIFIED POVERTY, IGNORANCE AND DISEASE AS THE PRIME ENEMIES OF THE ETHIOPIAN PEOPLE AND ALLEGES THAT THEY WERE DIRECT RESULT OF THE OLD FEUDALISTIC ORDER. USING THE MILITARY, POLICE, CIVIL SERVICE, STUDENTS, PEASANTS AND WORKERS, THE PMAC PROPOSES TO ESTABLISH A NEW ORDER BASED ON "EQUALITY, SELF-RELIANCE, THE DIGNITY OF LABOR, THE SUPREMACY OF THE COMMON GOOD AND THE INDIVISIBILITY OF ETHIOPIAN UNITY."

A. THE ECONOMIC PROGRAM: THE BASIC ELEMENTS OF THIS PROGRAM ARE NATIONALIZATION OF ALMOST ALL RURAL LAND AND MUCH OF THE MODERN SECTOR OF THE ECONOMY; ECONOMIC POLICIES DESIGNED TO ENSURE A HIGHER DEGREE OF ECONOMIC EQUITY; AND INCREASED GOVERNMENT EXPENDITURES OF DEVELOPMENT PROGRAMS.

B. THE SOCIAL PROGRAM: THE STRESS HERE IS ON BRINGING ALL ELEMENTS OF ETHIOPIAN SOCIETY INTO EQUAL STANDING AND THE ELIMINATION OF THE POWER OF THE LANDED NOBILITY AND THE PREVIOUSLY FAVORED URBAN WELL-TO-DO THROUGH LAND REFORM, THE DEVELOPMENT THROUGH COOPERATION CAMPAIGN, DECLARATION OF MOSLEM HOLIDAYS, ETC. ALSO A RESTRUCTURING OF THE EDUCATIONAL AND HEALTH PROGRAMS TO MAKE THEM RELEVANT TO THE NEEDS OF THE COMMON MAN, ESPECIALLY IN RURAL AREAS, IS BEING UNDERTAKEN.

C. ADMINISTRATIVE REFORM: IN ORDER TO CARRY OUT ITS NEW POLICIES AND PROGRAMS, THE PMAC HAS TAKEN SEVERAL STEPS TO IMPROVE ITS ADMINISTRATIVE CAPABILITIES. IT HAS ASSIGNED BETTER CIVIL SERVANTS TO LOCAL ADMINISTRATION POSITIONS AND KEY POSTS IN THE CENTRAL MINISTRIES AND IS GENERALLY PURSUING DECENTRALIZATION OF ADMINISTRATION, THE MOST PROMINENT EXAMPLE TO DATE BEING THE CREATION OF PEASANT ASSOCIATIONS TO ADMINISTER LAND REFORM. IMPLEMENTATION OF PROJECTS IS FASTER AND CORRUPTION AT LEAST AT THE CENTER IS GENERALLY LESS THAN UNDER THE OLD REGIME. MEDIUM AND LONG TERM PLANNING IS LESS EVIDENT NOW THAN BEFORE, HOWEVER.

D. COMMITMENT TO CHANGE: THE PMAC'S COMMITMENT TO FUNDAMENTAL CHANGE APPEARS SINCERE AND STRONG EVEN WHEN IT MEANS TAKING SOME STEPS (I.G., LAND REFORM) WHICH MAY PROVE COSTLY IN  
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TERMS OF SUPPORT FROM ITS KEY CONSTITUENCY-THE ARMED FORCES. IT IS ALSO STRESSING SELF-HELP, SELF-DISCIPLINE, AND SELF-RELIANCE TO ALL SEGMENTS OF ETHIOPIAN SOCIETY.

### 4. PROBLEMS AND PROSPECTS

A. THE NEW ECONOMIC AND SOCIAL POLICIES AND PROGRAMS ARE DEMANDING A GREAT DEAL FROM ETHIOPIANS, ESPECIALLY THOSE

POLICIES WHICH STRESS THE COMMON GOOD OVER (AND FOR SOME GROUPS AT THE EXPENSE OF) INDIVIDUAL GAIN AND WHAT AMOUNTS TO A WORK ETHIC. IT APPEARS THAT AT LEAST FOR THE TIME BEING THE PMAC HAS THE SUPPORT (OR ACQUIESCENCE) OF THE GROUPS WHICH COUNT AND CAN PERSUADE OR COERCE THE REST. FORMERLY LANDLESS PEASANTS BY AND LARGE ARE PROBABLY PLEASED WITH LAND REFORM AS THE USE OF LAND THOUGH NOT OWNERSHIP IS A LONG STEP FORWARD FOR THEM. BUT WHETHER THIS FUNDAMENTAL REFORM PLUS THE OTHER ECONOMIC AND SOCIAL PROGRAMS WILL BE SUFFICIENT TO INVOLVE THE PEASANTRY IN THE DEVELOPMENT PROCESS REMAINS TO BE SEEN. PEASANT LETHARGY, SUPERSTITION AND ALIENATION FROM THE CENTRAL GOVERNMENT ARE STILL TO BE OVERCOME. THIS IS, OF COURSE, WHAT THE REVOLUTION IS ALL ABOUT FOR ETHIOPIA'S FUTURE LIES BASICALLY IN THE DEVELOPMENT OF THE RURAL SECTIR.

B. URBAN GROUPS PRESENT A MIXED PICTURE. THE UNSKILLED WORKERS PROBABLY SUPPORT THE REGIME AS THE PMAC HAS PROVIDED THEM MORE EMPLOYMENT OPPORTUNITIES, HAS MANAGED TO KEEP PRICES FOR COMMODITIES THEY BUY AT REASONABLE LEVELS, AND IS CLAIMING TO OFFER MORE OPPORTUNITIES IN GENERAL FOR THEM AND THEIR CHILDREN. THE ETHIOPIAN ENTREPRENEURS AND MANAGERIAL GROUPS (INCLUDING CIVIL SERVANTS) ARE UNEASY EVEN THOUGH THEY HAVE NOT BEEN SERIOUSLY HURT ECONOMICALLY THUS FAR BY THE CURRENT REGIME (EXCEPT COMMERCIAL FARMERS - A VERY SMALL GROUP). THEY WORRY ABOUT FURTHER NATIONALIZATION OF BUSINESS AND PROPERTY, RESENT HAVING TO PAY ALL THEIR TAXES AND FEAR THAT THEIR SALARIES MAY BE REDUCED. UNTIL THEY HAVE A CLEARER PICTURE OF THEIR FUTURE UNDER ETHIOPIAN SOCIALISM, THEY ARE LIKELY TO BECOME INCREASINGLY DISCONTENT WITH THE PMAC. NEVERTHELESS SOME CLEARLY SUPPORT THE POLICIES OF THE REGIME BECAUSE OF INCREASED PERSONAL OPPORTUNITIES OR OUT OF A GENUINE CONVICTION THAT THE PMAC POLICIES ARE RIGHT FOR ETHIOPIA. STUDENTS INITIALLY SUPPORTED THE ECONOMIC AND SOCIAL POLICIES OF THE PMAC

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AND A MAJORITY PROBABLY STILL SUPPORT THE GOALS IF NOT THE METHODS OF THE CURRENT REGIME IN THESE TWO AREAS. BUT THEY TOO WILL BECOME INCREASINGLY UNHAPPY IF A TERMINATION DATE FOR THEIR NATIONAL SERVICE IS NOT ANNOUNCED SOON. THE MILITARY, WHICH IS THE MOST DIFFICULT GROUP OF ALL TO REACH, APPARENTLY SUPPORTS OR ACQUIESCES IN THE POLICIES OF THE PMAC ALSO AT LEAST TO A DEGREE AS THEY ALONE HAVE THE POWER TO OVERTHROW IT AND THUS FAR HAVE MADE NO ATTEMPTS TO DO SO. POSSIBLY THIS IS BECAUSE OF AN ABSENCE OF LEADERSHIP BUT IT SEEMS MORE LIKELY THAT THEY SEE THEMSELVES AS TAKING PART IN AN HISTORICAL PROCESS TO MODERNIZE ETHIOPIA.

##### 5. THE PRACTICAL EFFECTS

REGARDING LAND REFORM, THE IMPACT ON OUTPUT IS STILL UNCLEAR.

MOST OBSERVERS LOOK FOR A DECLINE IN PRODUCTION BUT UNTIL THE GROWING SEASON IS FURTHER ALONG OPINIONS ARE PERFORCE HIGHLY SPECULATIVE. IN THE MODERN SECTOR OF THE ECONOMY, THE NATIONALIZATION PROGRAM HAS NOT AS YET REDUCED OUTPUT SIGNIFICANTLY. NEVERTHELESS, AN ETHIOPIAN IS BOUND TO LOSE FOREIGN CAPITAL AND EXPERTISE, THIS PROGRAM IS PROBABLY THE MOST COSTLY THE PMAC HAS INTRODUCED. IT IS CLEAR THAT THE MODERN SECTOR OF ECONOMY, WHICH HAS BEEN STAGNANT FOR THE PAST SEVERAL YEARS, IS STILL IN THAT CONDITION. NEW INVESTMENT MUST BE UNDERTAKEN SOON IF GROWTH OF THE MODERN SECTOR IS TO RESUME, AND THE NATIONALIZATION PROGRAM HAS PROBABLY ELIMINATED PRIVATE FOREIGN AND DOMESTIC CAPITAL INPUTS FOR SOME TIME TO COME. WITH RESPECT TO ECONOMIC POLICIES, SOME HAVE BEEN ILL-ADVISED, SOME ARE GOOD AND IN SOME AREAS POLICIES ARE YET TO BE DEFINED. CERTAIN ILL-ADVISED POLITIES, SUCH AS PRICE CONTROLS, ARE NOT BEING ENFORCED. INCREASED TAX COLLECTIONS, IMPOSITION OF NEW, PROGRESSIVE TAXES AND A WILLINGNESS TO USE LIMITED DEFICIT FINANCES FOR DEVELOPMENT ARE ALL TO THE GOOD. POLICIES HAVE NOT YET BEEN ANNOUNCED IN AREAS SUCH AS CRITERIA FOR MANAGING NATIONALIZED INDUSTRIES (PROFIT MAXIMIZING OR EMPLOYMENT MAXIMIZING), GENERAL TAX POLICIES, AND METHODS BY WHICH DOMESTIC PRICES WILL ADJUST TO CHANGES IN INTERNATIONAL PRICES.

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 5237

C O N F I D E N T I A L SECTION 2 OF 2 ADDIS ABABA 8003

E.O. 11652: GDS

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6. THE QUESTION OF IMPLEMENTATION

THE PMAC HAS GENERALLY APPROACHED THE APPLICATION OF ITS POLICIES AND PROGRAMS GINGERLY AND HAS DEMONSTRATED A FAIR DEGREE OF FLEXIBILITY IN THEIR IMPLEMENTATION. THE LAND REFORM PROGRAM IS FOLLOWING THE PROCEDURES SPECIFIED IN THE PROCLAMATION WHICH REQUIRE THAT PEASANTS' ASSOCIATIONS BE SET UP BEFORE REDISTRIBUTION BEGINS. WHERE THERE HAVE BEEN PROBLEMS OF REDISTRIBUTION IT HAS USUALLY BEEN THE RESULT OF STUDENT AGITATION AND NOT THE URGING OF THE PMAC. ONE POSSIBLE EXCEPTION MIGHT BE THE DIFFICULTIES WHICH AROSE BETWEEN THE PMAC AND THE AFAR, BUT ALL OF THE CAUSES OF THIS SERIOUS BREAKDOWN IN RELATIONS BETWEEN THE PMAC AND THE AFAR ARE STILL OBSCURE. THE TRANSFER OF PRIVATE ENTERPRISE TO THE GOVERNMENT HAS ALSO GONE FAIRLY SMOOTHLY AND AS NOTED ABOVE THE PMAC HAS SIMPLY NOT ENFORCED SOME OF ITS ILL-CONSIDERED ECONOMIC POLICIES. IN SUM, THE PMAC HAS GENERALLY BEEN WILLING TO TAKE PRACTICAL CONSIDERATIONS INTO ACCOUNT IN IMPLEMENTING ITS POLICIES AND PROGRAMS AND HAS NOT BEEN WEDDED  
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TO AN IDEOLOGICAL APPROACH.

7. IMPLICATIONS FOR US POLICY TOWARD ETHIOPIA

FROM THE FOREGOING REVIEW IT IS APPARENT THAT ETHIOPIA IS FOLLOWING AN UNUSUAL, IF NOT UNIQUE, STRATEGY FOR ITS ECONOMIC AND SOCIAL DEVELOPMENT AND THAT THE GOALS AND OBJECTIVES OF THIS STRATEGY ARE IN GENERAL KEEPING WITH VIEWS. WHILE THE TACTICS (OR METHODS) EMPLOYED DO NOT ALWAYS COINCIDE WITH OUR OPINIONS AS TO THE MOST APPROPRIATE MEANS TO ACHIEVE THESE GOALS AND OBJECTIVES, NONE HAS AS YET CAUSED MAJOR DIFFICULTIES IN OUR RELATIONS WITH THE EPMG. THE QUESTION REGARDING TACTICS IS, RATHER, WHETHER THEY DEMAND MORE THAN THE ETHIOPIAN PEOPLE CAN DELIVER, GIVEN THE ENORMOUS (AND WELL-KNOWN) OBSTACLES THAT STAND IN THE WAY OF MODERNIZING A TRADITIONAL SOCIETY. BE THAT AS IT MAY, ETHIOPIA OFFERS AN OPPORTUNITY FOR THE US TO SUPPORT A GOVERNMENT THAT APPEARS COMMITTED TO PRESS FOR THE IMPROVEMENT OF THE RURAL, POOR MAJORITY RATHER THAN THE BENEFIT OF THE URBAN, WELL-TO-DO MINORITY. TO THE EXTENT THAT OUR POLITICAL, ECONOMIC AND MILITARY RELATIONS WITH ETHIOPIA ARE OTHERWISE SOUND AND AS LONG AS THE PMAC DOES NOT EMPLOY METHODS THAT ARE REPUGNANT TO US IN STRIVING TO ATTAIN THE GOALS THEY HAVE SET FOR ETHIOPIA, THE USG SHOULD LEAD APPROPRIATE ECONOMIC AND POLITICAL SUPPORT TO THE POSITIVE DEVELOPMENT EFFORTS OF THIS REGIME NOT ONLY BECAUSE IT WILL BENEFIT ETHIOPIA BUT

ALSO BECAUSE IT WILL ENHANCE THE REPUTATION OF THE US AS AN  
ENLIGHTENED, PROGRESSIVE SUPPORTER OF UNDERDEVELOPED NATIONS  
WILLING TO DO SOMETHING FOR THEMSELVES.  
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